DEEPWATER IMPLEMENTATION

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COAST GUARD AND MARITIME TRANSPORTATION

OF THE

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TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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TESTIMONY

DEEPWATER IMPLEMENTATION

Tuesday, June 21, 2005

HOUSE OF REPRESENTATIVES, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION, WASHINGTON, D.C.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2167, Rayburn House Office Building, Hon. Frank A. LoBiondo [chairman of the committee] presiding.

Mr. LOBIONDO. Good morning. The Subcommittee on Coast Guard and Maritime Transportation will come to order. The Subcommittee is meeting today to hear testimony on the Deepwater Implementation. We will proceed directly, as we normally do, with my statement and Mr. Filner's statement.

The Subcommittee is meeting this morning to continue its oversight of the Deepwater program and to review the revised implementation schedule that was submitted to Congress earlier this month.

The Subcommittee has repeatedly requested the Coast Guard provide detailed information on the changes that the re-baselining will make to the number and nature of assets that will be acquired under Deepwater, the total cost of the program, and the program's delivery schedule. And while I am pleased that the Coast Guard has finally provided Congress will an out-year projection for the Deepwater program, I do have several concerns and questions concerning the information submitted.

The most recent "plan" is actually four plans. Two different proposed funding streams are presented, each with two different mixtures of vessels and aircraft and estimates of total project costs. While this certainly presents a wealth of information on several possible courses of action, it does not include any recommendation or prioritization among the four presented options for acquiring new assets under the Deepwater program, and I think that this is a problem.

When we required the Coast Guard to develop and submit a re-baseline plan to Congress, we envisioned it as a blueprint to guide the program to the future. Instead, I am now concerned that the four plans we received, with their broad ranges and number of assets that will be acquired and the total costs of the program combined with the uncertainty of several funding proposals, leaves us without any real direction once again.

I am interested in hearing more about the CIP Plus funding stream that was outlined in the most recent plan. CIP Plan calls for the reallocation of funding from other sources within the De-

partment of Homeland Security to support the legacy asset maintenance and upgrades. This Subcommittee has been and continues to be extremely concerned by the rapid deterioration of the Coast Guard's legacy assets, and I am happy to hear that the Coast Guard is considering steps to address this pressing problem while maintaining designated funding for new asset acquisition.

However, I would be happier to hear that the Coast Guard and the Administration have committed to this funding approach. I think that is a key word, committed to the approach. I hope that is something that we will hear today.

Now is the time to make the tough decisions that will guide the completion of this essential program. While I appreciate the Coast Guard's long and hard labor to get this information approved by the Department and Office of Management and Budget, which has not always been as cooperative as we would have liked, I still have concerns about the long-term adequacy.

I hope that the witness testimony today will address these important issues, and I thank the Admiral for appearing before this Subcommittee.

Mr. Filner.

Mr. FILNER. Thank you, Mr. Chairman, and thank you for raising those issues. I agree with you, and I have some additional questions or concerns of my own.

I think that Deepwater may be in deep trouble. This project is very ambitious. The theory was, as I understood it, that the Government would lay out the mission and program requirements, and the contractor would build a system of systems that would provide the best value. The best value. Not the lowest cost, but the best value.

The Coast Guard and their system integrator, Lockheed Martin, spent $49 million to convert eight 110-foot patrol boats to 123-foot patrol boats, only, as we have learned, to find out that the ships had major structural problems, and they should build new patrol boats instead. That is $49 million that is now not available to buy new equipment.

And it doesn't look like the program has learned from that lesson. The revised Deepwater plan to include system requirements to meet post-9/11 challenges proposes, for example, to rebuild the HH-65 helicopters and C-130 aircraft, instead of buying new aircraft.

As I said earlier, Deepwater was supposed to be about buying cutters and aircraft that are the best value for the Government. Cost of a particular asset, as I understand, was only to be about 15 percent of the weighted factors when making that decision. Now decisions are being made entirely on the lowest cost, so that the Government would end up manufacturing old aircraft instead of buying new, more capable assets. When the Deepwater modernization project is completed, the Coast Guard will have eight HH-65 helicopters and C-130 aircraft that are over 40 years old. I am told that is the oldest of any Coast Guard in the world.

What appears to be happening is, as the Coast Guard adds, for example, new ship system requirements to cutters, OMB says that the total program cost can't increase, so the Coast Guard must cut costs from aircraft modernization and the total number of cutters purchased. So we are changing, apparently, Deepwater from a pro-

gram to modernize the Coast Guard with new equipment to a program that buys too few new ships and keeps the old aircraft.

Mr. Chairman, I think Deepwater is in deep trouble, and the Administration isn't giving the Coast Guard the support that we would like and that they need. The Administration is not committed to giving the men and women of the Coast Guard, who risk their lives everyday to save others, the best equipment that is available. Instead, they are forcing the Coast Guard to fulfill all of their future missions based on the budget restraints of today.

We learned just at last week's hearing that the current fleet of Coast Guard cutters and aircraft are just not up to the job; they are having mechanical problems, interdicting only 15 percent of the cocaine, for example, that enters the United States. If we had that percentage for WMDs in the future, we are not going to last too long. Given the direction of Deepwater, I doubt that the Coast Guard, in fact, will be any more effective once the modernization project is completed.

Mr. Chairman, like you, I remain committed to the Deepwater program. However, given the direction of this program in our post-9/11 world, I am not exactly convinced yet that the Coast Guard of the future will be able to meet the challenges that we face in our future.

Thank you, Mr. Chairman.

Mr. LOBIONDO. Thank you, Mr. Filner.

We are very pleased that the Chair of the Intelligence Committee and distinguished Congressman, Peter Hoekstra, is with us.

Peter, do you care to make any opening statements?

Mr. HOEKSTRA. No. I am all set. Thank you.

Mr. LOBIONDO. Thank you.

Mr. Coble, I know you are just walking in. We are going through some opening statements concerning Deepwater. Would you like to share any words of wisdom with us early on?

Mr. COBLE. Good to be here, Mr. Chairman. Thank you.

Mr. LOBIONDO. Okay. Thank you.

We are very pleased today to have our witnesses, Vice Admiral Thad Allen, the Chief of Staff of the United States Coast Guard, and accompanying him is Mr. Gregory Giddens, the Deputy Program Executive Officer for Integrated Deepwater System for the United States Coast.

Admiral Allen, thank you for being here. Please proceed. You need to kick on your microphone.

TESTIMONY OF VICE ADMIRAL THAD W. ALLEN, CHIEF OF STAFF, UNITED STATES COAST GUARD, ACCOMPANIED BY GREGORY L. GIDDENS, DEPUTY PROGRAM EXECUTIVE OFFICER FOR THE INTEGRATED DEEPWATER SYSTEM, UNITED STATES COAST GUARD

Admiral ALLEN. Good morning, Mr. Chairman. It is a pleasure to be here and discuss what is arguably the most important acquisition project the Coast Guard has undertaken probably in its history. I would like to make a few brief remarks and then offer a formal statement for the record, if that is okay, sir.

If I were to describe the overall budget goals for fiscal year 2006 for the Coast Guard, it would be three: to continue to recapitalize

Coast Guard assets, and the Deepwater project is all about that; to implement our maritime security strategy for homeland security; and to generally improve mission performance with both AC&I and operating dollars.

We have a revised Deepwater plan that has been based on a comprehensive program gap analysis that attempts to do three things: one is to modify original assets to improve post-9/11 capabilities; to retain, upgrade, and convert aviation legacy assets as part of that final mix; and adjust the program delivery schedule to maximize operational effectiveness.

The revised plan ensures cutters and aircraft will be equipped with the right systems and right capabilities. Those capabilities include: interoperable network-centric command-and-control systems, essential for maritime domain awareness; increased speed and integrated weapons systems; helicopter use of force and vertical insertion capability; improve fixed-wing aircraft for long-range surveillance and transport; enhanced anti-terrorist and force protection capabilities; and detection-and-defense systems for chemical, biological, and radiological threats.

As a result, Deepwater cutters and aircraft equipped with these new capabilities can be employed and leveraged far beyond the operational limitations of the original assets. Together with recent advancements in maritime domain awareness, intelligence effectiveness, and our homeland security partners, Deepwater assets will enable us to close existing operational shortfalls and execute the full range of homeland security and national defense missions more effectively. We will also reduce risk in the maritime domain and improve the safety and readiness of all platforms through sustainment, modernization, and conversion of aging legacy assets.

Mr. Chairman, as you know, between March and May of this year we have been constructively and tirelessly engaged with the Congress and the Administration to provide a revised Deepwater implementation plan that provides sufficient detail regarding asset delivery schedules and still recognizes the uncertainty of out-year funding levels. We believe the final number of assets will, at a minimum, be sufficient to meet homeland security and Coast Guard performance goals.

Mr. Chairman, the Coast Guard's 2006 budget includes $966 million for Deepwater, a 33 percent increase over last year's appropriations. This investment will make critical important contributions to our ability to defend this Nation from terrorist attack and execute all Coast Guard missions more effectively. I urge this Committee and the Congress to support the President's full request for Deepwater funding.

Mr. Chairman, if I could, just one added piece of information, because I know it is of personal interest to you. Yesterday afternoon the Commandant signed the order that will have the fishing vessel TEXAS removed from Gardner's Basin in Atlantic City.

Glad to be here today, sir.

Mr. LOBIONDO. Thank you. That is very good news.

Mr. Filner, go ahead and start off.

Mr. FILNER. Thank you, Mr. Chairman.

Thank you, Admiral, for being here today. As I said in my opening statement, it appears—and I will give you some specifics to

deal with—that there seems to be a fixed budget for a system that needs to, in fact, improve its operational requirements after 9/11. So we have to trade off, it seems, requirements for numbers in that situation.

For example, your national security cutter, you have added requirements to that for homeland security. Has that increased the cost? And what does that do for the numbers involved?

Admiral ALLEN. Yes, sir, added capability does come with a cost. We are in the process right now of negotiating engineering change proposals with our contractors. Most specifically, we are looking at three areas of enhanced capability that are absolutely required in a 9/11 environment for those cutters. The first one is the secure compartment for the handling of intelligence information, radically needed in a post-9/11 environment; the second is upgrade to the weapons system, 57 millimeter gun and the mounts associated with that.

And as we negotiate these engineering change proposals and define how much they are going to cost, there will be a cost increase. There is money reserved in the budget for that that is unobligated at this time, and we are actively negotiating that with ICGS at this time, sir.

Mr. FILNER. So you are saying you don't need to cut the numbers of the force in any given category?

Admiral ALLEN. Sir, if you are referring to the range of NSCs that are in the plan that is between six and eight, the notion there is, as we deliver these cutters and bring them online, we need to understand what kind of performance they bring in the operating environment as we look at the final force structure. We are allowed under the plan a range of cutters from six up to eight.

I think as we bring the first NSC online and test its operational effectiveness, we will get a better view on how much more capable that cutter is than the one it is replacing and can make a better decision. At the end, the Coast Guard feels that, if we need it, we need to go to the high end, which is the eight cutters, but we need to demonstrate that in terms of performance as the assets are delivered, sir.

Mr. FILNER. It looks like, to me, when you look at the ranges that you had for not only the NSC, but the offshore patrol cutters, the patrol boats, the CAS aircraft, the range is less than we had thought before 9/11. But you are going to increase all your older aircraft. It doesn't sound to me that a 21st century Coast Guard to meet the 21st century post-9/11 world is being kept here. You have fewer assets and they are older. How does that increase your capability?

Admiral ALLEN. Sir, if I could make two comments in regard to that. First of all, when the acquisition was started and the contract was awarded in 2002, it assumed a baseline funding level of $500 million a year. That was extremely constraining at the time, and as we have added capability and taken a look at the forestructure, we have to have different types of assets with different types of capability. And we have been successful in raising the funding level for Deepwater.

That said, as you raise capability and the assets become more expensive, you have to make tradeoffs within the funding stream that

is available that brings the best value to the Government, and that is what we are trying to do. Even if we were to have all new assets, it would be highly improbable we would have the amount of funding in one year to fund all of those platforms. So you have to sequence these things and trade them off, and that is what we have been trying to do since the start, sir.

Mr. FILNER. Well, that is what worries me, that the tradeoff that you are talking about is shortchanging our security. That is, it seems to me that you should say what we need, and then see if we can fund it, not to fit an amount of money and then you decide what capability we are going to get. It just seems to me, after 9/11, that that is not the way the Coast Guard in the new Department of Homeland Security should be working.

I mean, I look at some of the threats that we talk about, whether it is, say, a high explosives ship attack on a cruise ship or a tanker. I am not sure our coastal communities are well protected against that. I also wonder about the fact that the Deepwater project is aimed at operations, by definition, more than 50 miles offshore, and yet the terrorist threat is probably a lot closer. So how are we going to protect the United States against these kind of terrorist attacks in our ports, our coastal communities, when you are dealing with Deepwater, by definition?

Admiral ALLEN. Yes, sir. You can well make the claim that maybe we had a branding issue at the start. We said Deepwater, but what we are really referring to is long-range of mobile assets that can move up and down the coast or off the coast. These are assets that are not tethered, as opposed to search and rescue stations and short-range helicopter that operates from a fixed base and are basically fixed in an area of operation. We have Deepwater assets operating very close to shore in the Aleutian Islands, where there is nothing else there.

So what we are trying to create is a series of mobile assets that can be employed where we need them to counter the highest risk in the area of responsibility that our operational commanders are charged with. And what we are also trying to look at is systems performance. It is not just the asset itself, it is the maritime domain awareness, it is the intelligence that drives it, it is queuing up actionable intelligence so our units can respond to it.

It is not just one asset, it is the accumulation of the assets and their capabilities together that produce systems performance that is the basis of the acquisition. And through layered defense we can, and have, increased the security of the Country. We can always do better and there are never enough assets, so you have to kind of go to a risk-based decision method on how you are going to apply those assets. But it is the system that we are trying to produce, sir.

Mr. FILNER. All right. Well, I guess I feel good that the Aleutians are protected. But I still have a lot of problems with our own ports, one of which I represent.

I will come back to this, Mr. Chairman. Thanks.

Mr. LOBIONDO. Mr. Hoekstra, questions for Admiral Allen?

Mr. HOEKSTRA. Just a couple of questions.

I am wondering, I guess the Appropriations Committee and the Homeland Security bill only had $500 million in it, and one of the

reasons for that occurring was that the plan coming from the Coast Guard that was going to request the $966 was delayed in getting over to the Appropriations Committee. Can you explain why the delay? I know Deepwater has been something you have been working on for a while. And what the impact would be if you only get $500 million this year?

Admiral ALLEN. Yes, sir. There was a serious discussion inside the Administration about the uncertainty of funding streams in the future and needing to understand what would happen under various funding scenarios with the revised plan, so that when the plans came up there would be, whether you want to call it trade space or flexibility to handle potential constraints in the future. That is what we were negotiating.

As a result of that, as was referred to earlier, there are four different scenarios that assume two different time frames and two different funding levels. That was hammered out within the Administration to be able to portray a viable course of action that would produce this capability for the Country under different funding streams as a risk mitigator.

Mr. HOEKSTRA. And what is the impact if you only get $500 million this year, instead of the $966?

Admiral ALLEN. It would be considerable. It would result in descoping, moving of ship design schedules to the right, and significant delay in bringing that capability onboard which the Country needs.

Mr. HOEKSTRA. Thank you, Mr. Chairman.

Mr. LOBIONDO. Mr. Baird?

Mr. BAIRD. Thank you, Mr. Chairman.

Thank you, Admiral, for your service. I am privileged to represent the Colombia River region, and I want you to know that your folks out there at the mouth of the river do a great job under difficult conditions.

I have been a long-time supporter of Deepwater, but I also have a concern about the need for more rapid craft, particularly craft that can obtain the go-fast boats that are in the field. I understand you have the helicopter intercept program and the sharp-shooting, but one of our concerns has been that we believe there is a need for higher speed boats to operate in the literal zone and out in more open sea, in fact, for several days, and have the speed and flexibility to capture the go-fast kind of boats. I wonder what your thoughts are on that as an adjunct to the Deepwater mission.

Admiral ALLEN. Well, there are two component parts to that, one is the over-the-horizon boats that are going to be deployed with our cutters, capable of speeds that can intercept the go-fast boats from a mobile deployable base, if you will. From fixed base in the United States, if that were a threat out there, we are in the process of selecting a responsible medium that will have the speed and capability to deal with the go-fast threat also.

But, as you said, the real trump card in this whole thing is airborne use of force, putting a helicopter overhead with the ability to use warning shots and disabling fire. But we think we have a pretty good portfolio of either ship-launched or shore-launched boats that will be able to counter that threat, especially when the

Deepwater assets are deployed with over-the-horizon boats and the long-range prosecutors and the short-range prosecutors.

Mr. BAIRD. When you refer to over-the-horizon boats, can you discuss that a little bit?

Admiral ALLEN. These are boats that will be deployed off of the offshore patrol cutter the national security cutter that are capable of operating independently from the vessel at distances away, that are faster than the vessel themselves, that are capable of intercepting go-fast boats. If you team that with aircraft helicopter capable of airborne use of force, it is a fairly potent package, and we know from our history in the Transit Zone right now that airborne use of force and even over-the-horizon boats down there are effective in stopping go-fast boats.

Mr. BAIRD. Can you describe the characteristics of the over-the-horizon vehicles?

Admiral ALLEN. So I wouldn't make a mistake, I would offer to provide that for the record. But they offer significant speed advantage over the cutters.

Mr. BAIRD. Okay. Could you have one of your staff brief us? I would be interested in talking to you about this.

Admiral ALLEN. Happy to brief you, sir.

Mr. BAIRD. Because I think there is a significant gap in the vessels currently at your disposal, and would be interested in talking to you.

Admiral ALLEN. We have a stepping type of a capability from responsible smalls that are currently at our stations after 9/11 clear up to the deployable boats from the cutters. We would be happy to give you a brief about that spectrum, sir.

Mr. BAIRD. That would be terrific. Thank you.

Thank you, Mr. Chairman.

Mr. LOBIONDO. Mr. Coble?

Mr. COBLE. Thank you, Mr. Chairman.

Admiral, good to have you with us today. Mr. Filner put a question to you regarding a terrorist attack. Let me extend that a minute, Admiral. Let us assume that intelligence indicates that a particular ship en route to a U.S. port is a terrorist threat. Describe what the Coast Guard's role would be versus the Navy's role (a); and, (b) how does the revised Deepwater system allow you to deal with this potential threat, as compared to your legacy fleet.

Admiral ALLEN. Yes, sir, very happy to do that. The basic way to deal with a threat from the start is maritime domain awareness, and maritime domain awareness has several components . We tend to think of it as sensors or maybe intelligence, but it is a spectrum of information that allows you to deal with and have knowledge about conveyance in the maritime environment.

If I would take a hypothetical example of a ship that is nearing the United States as a potential threat on board, the potential cues that the Coast Guard could receive would be some type of intelligence source from overseas; we could get information from tracking systems; we could get information from vessel sightings. But it would come to our attention that a vessel is out there and we could identify it.

In addition, following the events of 9/11, we issued a regulation requiring 96-hour advanced notice of arrival. The vessel then pro-

vides us their intentions, what port they are going to enter, and we have time to do an analysis on both the vessel, the crew, and the cargo to see if it might prove any threat. If it did—and right now we our acting authority is under law enforcement, as opposed to Title X DOD operations—we could plan a response to that. And recently we have done responses very far offshore, up to 1,000 miles if we think we need to do that, and sometimes that is with the cooperation of the flag states who are willing to cooperate with us.

If it appears that the threat out there is something that would exceed the Coast Guard's capabilities, we would be in active negotiation with the Department of Defense on what the right mix and response to that should be. And if it appeared that we had the ability to declare hostile intent on the part of that vessel or that threat that is approaching the United States, DOD would be employed to defeat that threat at the farthest distance offshore. That could be a Coast Guard unit with support from the Navy or it could be a Navy unit with support from the Coast Guard under recent protocols that we have negotiated with U.S. Northern Command and the Department of Defense. But there is an active negotiation, and what you want to do is put the right capability on the threat to defeat it as far offshore as you can, sir.

Mr. COBLE. Well, how does the revised Deepwater system improve?

Admiral ALLEN. I can give you a good scenario, sir. First of all, you have a cutter underway, say, 100 miles offshore doing fisheries patrol, when they are alerted that you have a threat that is, say, 1,000 miles offshore. First of all, with the increased maritime domain awareness and command-and-control capabilities that are on the upgraded cutters and the new cutters, we will be able to transmit what is called a common operating picture. That is a display of all the vessels in the area, including identifying information. And the common operating picture is both on a classified and nonclassified system, so you are able to put out the picture and creak the threat environment out there.

Secondly, as you are moving in to do the operations, because we now have put in secret internet protocol routers on all the ships enables us to have classified chat rooms, if you will. And if you remember trying to pass voice communications, try and find somebody to give you guidance during a breaking operations, we now have a virtual chat room set up where people can be talking all the time.

In a recent case for drug interdiction down in the Transit Zone, what would normally take 15, 30 minutes for a fast-breaking case to obtain a statement of no objection for warning shots and disabling fire was done in six minutes over a classified chat room. So what you are doing is you are increasing your ability to sense what is going on out there, you are increasing your ability to know what is going on in your environment, and you are rapidly increasing your ability to communicate in a covered system, sir.

Mr. COBLE. Thank you, Admiral.

Thank you, Mr. Chairman.

Mr. LOBIONDO. Mr. Gilchrest.

Mr. GILCHREST. Thank you, Mr. Chairman.

Welcome, Admiral and Mr. Giddens. So it sounds like as a result of this whole—Deepwater started how many years ago, the concept, six, seven, eight years?

Admiral ALLEN. You were chairman, Mr. Chairman.

Mr. GILCHREST. It started some time ago. And as a result of the concept of Deepwater and the tragedy of 9/11, the Coast Guard and an individual Coast Guard vessel has become more technologically advanced and that individual cutter has become more versatile with its ability to manage the Nation's fisheries, to respond to a drug interdiction or a terrorist alert, or any one of a number of other things that have happened?

Admiral ALLEN. That is absolutely correct, sir. The ability to sense what is going on, have rapid communications, to understand and have quicker relationships with the higher echelon of command not only helps defeat terrorist threats, but absolutely enhances operations related to migrant smuggling, fisheries, and counter-drug operations, search and rescue, environmental protection, all of our missions.

Mr. GILCHREST. You told Mr. Coble that you could respond to a potential terrorist threat 1,000 miles offshore. First of all, is that a Coast Guard response, is it coordination with a Navy ship that might be in the area, helicopters, C-130s? And the potential to know that that might be a terrorist operation going on board a vessel that is 1,000 miles offshore, is that because of better coordination with host countries from where these ships leave, or industry that puts cargo on these ships, or the manifests of the captain?

Admiral ALLEN. It is all of those things, and that is really what constitute maritime domain awareness. As I said earlier, it is not just sensors that are fused together to tell you what is out there, it is taking a look at cargo information, information on crews, information on the history of the flag, the owners of the cargo and so forth, in cooperation with our

Mr. GILCHREST. That is extraordinary. I am just curious how has that been coordinated, or how are you in the process of coordinating all of that kind of data and get that cooperation with the shippers, with the host country? Is that being worked through the IMO or is it being worked through the State Department in some other facet?

Admiral ALLEN. Internationally it is being worked through IMO. A lot of the protocols and reporting requirements are as a direct result of our efforts at IMO. A lot of it has to do with the legislation that was recently passed in the Maritime Transportation Security Act. A lot of it has to do with our great partnerships we have inside DHS right now with Customs and Border Protection that operates a national targeting center out by Dulles Airport that takes a look at that manifest data and is able, through pattern analysis, be able to cue us to certain things. And we have done that.

Mr. GILCHREST. So instead of the Coast Guard being more focused on terrorism and some of the other roles that the Coast Guard plays, whether it is search and rescue of fisherman in the Aleutians or drug detection, which you mentioned, I guess either in the Caribbean or the Gulf of Mexico, which a number of years ago you were allowed to actually shoot at those fast boats, do you feel that the Coast Guard's mission in those areas has improved as

a result of these actions with Deepwater and the terrorism legislation and things like that, or at least have not diminished?

Admiral ALLEN. I believe that the capabilities we are putting into our assets in a post-9/11 environment through the Integrated Deepwater System have significantly improved our ability to react to any mission.

Mr. GILCHREST. And so?

Admiral ALLEN. Moving beyond that, how you employ those assets within an area of responsibility, which is the responsibility of the district commanders and the area commanders, you have to go through a risk-based decision-making process—I was the Atlantic area commander on 9/11—and you have to make those decisions of how to deploy your assets. But you also have to look at the performance that you are getting out of your system.

We have been able to dramatically improve our drug seizures in the last couple of years without a significant amount of hours put down there because we have better intelligence, better sensors, better command-and-control capability that allow us to execute those statements of no objections for warning shots and disabling fire to take down those go-fast boats.

Mr. GILCHREST. But you could be hurting if, somewhere along the line, we don't make up that $400 million deficit.

Admiral ALLEN. We urge you to support the President's request, sir.

Mr. GILCHREST. Thank you very much, Admiral.

Thank you, Mr. Chairman.

Mr. LOBIONDO. Mr. Reichert.

Mr. REICHERT. Thank you, Mr. Chairman.

Good morning.

Admiral ALLEN. Morning, sir.

Mr. REICHERT. One of the interests I have has always been in partnership.

Admiral ALLEN. Yes, sir, it does, on two accounts. Number one, I think the contract has already demonstrated extraordinary flexibility and allowed us to generate a program gap analysis on post-9/11 requirements and then include the capabilities that we require in a revised mission needs statement and revised Deepwater plan. Embedded in that plan, and always has been embedded in that plan, is a series of technological refreshments when necessary and upgrades of assets as they end their service life.

Now, the timing of those refreshments and upgrades has changed as the plan has changed, and we have had to move some of those assets to the left, if you will, because of the deterioration of our current assets. But the current contract, as it stands right now, has flexibility both for requirements and technological refresh.

And I would ask Mr. Giddens to comment further, if he would care to.

Mr. GIDDENS. Yes, sir. Even when we established the first Deepwater contract, it was at that point a long-term recapitalization of Coast Guard capabilities and capacities at that time, even as we were in the source selection, at a 20-year plus effort. So we knew from the beginning we had to establish flexibility in the acquisition strategy to accommodate change. Whether that change was driven by varying mission demands on the Coast Guard or other external

factors, we established from the beginning a systems approach with the acquisition strategy to allow that flexibility to respond to the Nation's and the Coast Guard's needs.

Mr. REICHERT. Thank you, Mr. Chairman.

Mr. LOBIONDO. Mr. Fortuño.

Mr. FORTUÑO. Thank you, Mr. Chairman.

I just have a couple questions, Admiral. Welcome. Some questions regarding HH-65 helicopter. I would like you to give us an update on the re-engining of project for said helicopters.

Admiral ALLEN. I am pleased to do that. At this point we have five helicopters that have been re-engined. We have a full-up operating air station at Atlantic City, New Jersey. We have a helicopter for training purposes at Mobile, and we are in the process of producing helicopters for the roll-out. The current planned air station to get the next set of helicopters is Air Station Savannah.

We currently have 13 helicopters that are under upgrades at our depot level facility in Elizabeth City, North Carolina. We are also testing a business case to start a second line at a commercial facility in Columbus, Mississippi, and are doing analysis on whether or not, based on the cost and the schedule impacts, whether it would behoove us to open up that second line. We are on schedule right now to complete the re-engining by February 2007. And it is the highest priority of the Commandant right now to complete this re-engining.

Mr. FORTUÑO. Okay. Are there any other modifications planned for the HH-65s?

Admiral ALLEN. In the near-term, our focus has been on safety and reliability and improving the engine performance. We have had problems with what they call torque splits, and that is uneven matching of the engine performance that requires the pilots actually to simulate the loss of an engine and take action to preserve the aircraft. We are, through the re-engining, attempting to improve the safety and reliability.

Under the larger Deepwater solution, there is a plan to evolve the H-65 into a multi-mission cutter helicopter by looking at the landing gear, the tail rotor, and some other equipment on board that will make it more shipboard capable, more capable of airborne use and vertical insertion. However, just with the re-engining itself and the safety and reliability improvements that we gain, plus the increased power, we were able to use these aircraft before they are converted to multi-mission cutter helicopters for airborne use, of course.

Mr. FORTUÑO. Would you say that once the re-engining program is completed, that the safety issues with the HH-65s will be pretty much taken care of?

Admiral ALLEN. They will be, safety and reliability. After that, then we need to look at how you enhance capability as that asset is integrated into the Deepwater family of assets. And the real thrust of both of our helicopter programs, both the H-60 and H-65, is to make them airborne use of force capable and capable of vertical insertion. Against that larger discussion of a system performance, that, combined with the new cutters and our small boat interceptors, is a potent package for dealing offshore with threats.

Mr. FORTUÑO. Thank you, Admiral.

Thank you, Mr. Chairman.

Mr. FILNER. I think what Mr. Fortuño wanted to know is if a Congress member would be able to fly in the aircraft when all this is done.

Admiral ALLEN. I am aware that due to the flight restrictions imposed until the re-engining occurs, that we are restricted from carrying VIPs.

Mr. FILNER. Thank you.

Mr. LOBIONDO. Mr. Diaz-Balart.

Excuse me, Mr. Taylor, welcome. Are you ready? Do you want to wait? Okay.

Mr. Diaz-Balart?

Mr. DIAZ-BALART. Admiral Allen, we have talked a lot about the congressional mandate which resulted in the Coast Guard submitting the Capital Investment Plan that included a complete funding projection and acquisition schedule beyond the first five fiscal years. What I am interested in hearing about is, given the uncertainties in projecting legacy asset sustainment costs and out-year acquisition costs, do you intend to reallocate the program's long-term cost projections each year?

Admiral ALLEN. That is the basic business model that was established within the four plans. What it calls for, as you may be aware of, is a certain amount of money that would be dedicated to new assets and then a secondary amount of money that would be available for legacy asset sustainment and upgrades. The difference in the two plans is one focuses on locking in the funding level for the new assets; the second one assumes that within an investment level there would be legacy asset sustainment, the difference being that in the first one you would make year-to-year decisions based on other funding priorities about how much money could be allocated into legacy asset sustainment. That is the difference in the two plans, sir.

Mr. DIAZ-BALART. Also, when will decisions be made about which of the four options the service intends to follow? And unless my guess is wrong, you are going to be getting this question tomorrow, too.

Admiral ALLEN. Yes, sir. Well, quite frankly, the Coast Guard, in order to do its mission, would like the maximum capability and the maximum forestructure we can buy. What you have is a high level plan that is focused on $24 billion in 25 years and then graduated steps down from that, which would be coping mechanisms to deal with unknown out-year funding streams. I am sure the Commandant would like to be at the higher end of that, at the 24/25 level. As you back off from that, then you have to make risk-based decisions regarding the assets themselves, the condition of the assets, the performance of the new assets you are bringing online.

As we bring the NSC on board or the FRC or the OPC, I think we need to, through operational tests and evaluate, assess their impact on performance. We may be able to achieve some forestructure reductions if these units are that capable in covering certain parts of the ocean, as we discussed earlier, but that is going to have to play out. We have established an envelope that would give us what we need, and we are going to try to drive the capability we need.

But a lot of those decisions will be taken year-to-year on what is available against other priorities, sir.

Mr. DIAZ-BALART. Are you going to be able to take the decisions year-to-year indefinitely? I mean, at some point don't you have to come down on a particular plan?

Admiral ALLEN. Well, sir, if you noticed, after a five-year period, after around 2011, to get the programs funded within the required time frames, there is more money put on legacy assets, depending on which plan you look at, or new production. Again, the focus right now is on system performance and seeing how these assets, once they are brought online, contribute to the overall performance as one asset to the system and better inform what the ultimate fleet size needs to be. We also need to take into account total ownership cost; not only the acquisition cost, but the increased cost of operating these vessels, and that will also come into play, sir.

Mr. LOBIONDO. Mr. Taylor, are you prepared to start at this point?

Mr. TAYLOR. Admiral, I am curious. Being from the area where a lot of the ships are going to be built, I was obviously, as were a lot of my constituents, a bit disappointed when I believe Chairman Rogers had some questions that he felt were unanswered and therefore was holding up a good portion of the funding. My question is what were the questions that he had of you, and do you feel like they have been sufficiently answered?

Admiral ALLEN. Well, I think the questions had to do with details on the asset delivery schedule and the cost per year. We believe we provided all of that. There are some issues that they have been interested in. One of them is regarding the truncation of the 123 conversion program, where the future is a fixed-wing aircraft. We provided issue papers to them in briefings to their staffs. We think we have been responsive to that, and we look forward to collaborating in achieving the President's budget.

Mr. TAYLOR. I am curious. I also, with several of my colleagues, get to serve on the Armed Services Committee, and I really have noticed a difference. The Navy almost always has a major program in play and, therefore, you have an institutional history of young guys starting off lieutenants working big programs, working their way up to admiral and are in pretty good position to justify by the time that comes.

It struck me that the Coast Guard has not had a major acquisition program, other than a few icebreakers, since the late 1960s, early 1970s, when the 378s were built. I am just curious, did the Coast Guard find themselves at a disadvantage not having any institutional memory as to how do you go make a pitch for that money?

Admiral ALLEN. I think we do have institutional memory and have had shipbuilding programs, albeit not on the scale of Deepwater nor the complexity of Deepwater. I think it is safe to say

Mr. TAYLOR. Certainly not of this scale, right.

Admiral ALLEN. I think it is safe to say this is a precedent-setting acquisition for the Coast Guard, and maybe for the Country. But the people that are populating our program offices and working on these things do have a history of working in programs of acquisition. I have myself. The real paradigm shift

Mr. TAYLOR. Where were you in 1968, Admiral?
Admiral ALLEN. Where was I in 1968?
Mr. TAYLOR. Yes.
Admiral ALLEN. I was in the U.S. Coast Guard Academy.
Mr. TAYLOR. All right.
Admiral ALLEN. But following the production of the 378s, we built our 270-foot medium endurance class, we have had two very successful procurements of large and medium buoy tender projects, we had a very successful program on our 47-foot motor lifeboats barrier launch on responsible medium. So there is continuity of experience and corporate knowledge in the Coast Guard regarding project management and acquisition.

But as I said, I think anybody probably grant you that the Deepwater program, in its complexity and scope, is something that is unprecedented, but we are bringing the best and brightest to bear on it that we have.

Mr. TAYLOR. I hate to throw a monkey wrench into this mix, because I have seen, unfortunately, over at Armed Services, how the Navy, by changing the game plan and moving the goal post on the DDXs I think put that program in jeopardy. But I am curious, and I have got to ask as a citizen and a taxpayer, given the huge price and increase in the price of fuel since this program started,—I know you have worked towards minimizing maintenance, I know you have worked towards minimizing crew size—to what extent has fuel efficiency been a factor in this next generation of cutters?

Admiral ALLEN. Well, we are always looking for a best value, especially in the density of the propulsion plants that we are buying. I think that is of a technical nature. I am going to throw it over to Greg Giddens, the program officer, and let him take a stab at it.

Mr. GIDDENS. Good morning, sir. From all classes of cutters that has been a factor in the design, from combining up a gas turbine with diesels, the number of diesels that is needed to meet the maximum speed, and then our ability to operate more efficiently on one or two of those diesels. It is also a factor, as I suggested, their competitive process determines propulsion in power systems. They look for power density against the weight to try to make sure we get the most efficient engines that we can for their volume, as well as their efficiency in terms of input-output, fuel intake versus power output.

Admiral ALLEN. If I could add one comment, you almost have to have a bias towards fuel efficiency for the national security code and the OPC, which have a range of 12,000 and 9,000 miles, respectively.

Mr. TAYLOR. On your smaller vessels, I noticed just a few years back, when the price of gasoline was fairly inexpensive, there was a move on a lot of your smaller vessels away from diesels and back towards outboards. How is that affecting your operations? Do you find yourself having to cut back on operating hours because of the shift? At the time I pointed out to some people I thought it was kind of shortsighted.

Admiral ALLEN. Well, any reduction in operations we have in the past weren't necessarily related to fuel cost, they were related to larger budgetary issues and stressers on the Coast Guard's operat-

ing base. In regards to small boat and cutter operations, though, we have tried to rationalize those systems over the years where, for instance, the boats that are operating off of cutters, trying to migrate them where they are using the same type of fuel the cutter does, rather than having to carry gasoline.

But on the shore side, based on the requirements, they tend to be gasoline-driven engines, so it kind of falls into two camps, what you are trying to support from a cutter and what you are trying to support from a shore station. And we have tried to make those as consistent across those two separate worlds of work as we can.

Mr. TAYLOR. What has it done to your operating cost as a rule from your shore stations? Have you seen a doubling in your fuel bills? And how do you respond to that?

Admiral ALLEN. Separate from the subject of the hearing at hand today, there are extraordinary fuel costs that we are dealing with this year. We have, in the operating side of the budget, taken a look at how we can mitigate and mediate the impact of those. We have got some extra resources through supplemental funding and so forth. But we do have this year, and are likely to have next year, a shortfall in energy funding in the Coast Guard, and it is one of those issues where you have to manage your base.

Mr. TAYLOR. Thank you, Mr. Chairman.

Mr. LOBIONDO. Admiral Allen, I want to talk a little bit about the 110s.

Admiral ALLEN. Yes, sir.

Mr. LOBIONDO. I think almost by anyone's standards they have experienced unexpected levels of problems. In the schedule for what we are proposing for Deepwater and where these 110s come in, sort of at the end, I don't understand how we are going to sustain the 110s and what the plan is by the Coast Guard as we continue to experience higher failure rates.

Admiral ALLEN. Yes, sir. I would say following the H-65 challenge, which is our number one pressing safety and reliability problem, I think following right behind that would be the 110 issue, 123 conversion. Under the original Deepwater plan, we had scheduled to an extension of the 110s to 123s as a bridging strategy, not for a new asset.

This gets back to the constrained funding level, how you have to operate in a portfolio over a number of years. It was anticipated that we would go to the fast response cutter around 2018, and as a result of the experience we have had with the 110 to 123 conversions, we are attempting to accelerated the FRC 10 years and bring that online by 2008, subject to successful competition in the budget this year and follow on years. What we try to do is remove the bridging requirement, where we are having problems with the converted 123s both structurally.

And they were only intended to replace 1998 type capability in terms of their sensors, communications, and so forth, so that ability to exert command-and-control have a common operating picture and utilize Cypronet chat rooms is something we will get in the FRC but is not present in a post-9/11 123. So there are two things: one is sustainability of the hull itself, the ability of those hulls to operate, but the second one is the capability we put into them as

a bridging strategy doesn't reflect the true requirements we are going to need in a post-9/11 environment, sir.

Therefore, the reason the FRC needs to move to the left and probably—if you look at the priority of any shortfall that exists in the $966 right now, it is to be able to complete the design and build the first FRC, sir.

Mr. LOBIONDO. Let me switch for a minute to the HC-130Js.

Admiral ALLEN. Yes, sir.

Mr. LOBIONDO. Can you tell us a little bit about where we stand with this? What is the cost of missionizing these? What can they do without the upgrades? Where do we stand with this whole situation?

Admiral ALLEN. Happy to do that, sir. We currently have six C-130Js. They are operating out of an aviation program office in Elizabeth City in North Carolina. That is not the permanent home base, that is where we brought them on board and got them operational. An APO is usually used to transition to the permanent air station where they are going. Since we have got the C-130, several things have happened.

First of all, we were appropriated $120 million to missionize them and make them capable for Coast Guard use. We had an unsuccessful first try with Lockheed Aero, where the price to integrate the missionization of those aircraft into the airframe was deemed too high by the Coast Guard. We have gone back and asked ICGS for a more simpler solution and have them basically giving us an estimate to cost at $120 million to missionize those six aircraft.

What has been challenging for those aircraft is that we have six and they are unique. They look like a C-130 on the outside, but on the inside it is a totally different aircraft in terms of the avionics and the computer systems that are in there. They are not like the rest of our C-130s. And prior to recent events, we were looking at whether or not C-130Js were something that should remain in the Coast Guard inventory of assets.

A couple of things have affected that. Number one, as you may be aware of, the entire C-130 fleet around the world has been impacted by the discovery of cracking in the wing boxes that are producing problems and potential structural failures in C-130s. We are in the process right now of waiting for a service bulletin from Lockheed Martin that will allow us to inspect these aircraft and find out whether or not we have true problems. We have two types of C-130Hs, separated from the Js. We have 1500 series. There are five of those, which are much older than the 1700 series. These need to be inspected and we need to ascertain the condition of the wing boxes before we make a decision.

So what we are playing off is the six C-130s that are unique, the need to missionize those, and then how they play against the remaining C-130s we have in the overall fixed-wing fleet and where we want to be at an end state for Deepwater. The variable right now that we are waiting for is the Lockheed Martin technical bulletin to allow us to assess the conditions of those airframes. Then, after that, we are going to have some decisions to make inside the Coast Guard about the disposition of the C-130s and the overall

makeup of the C-130 fleet that we finally want in the Deepwater asset mix.

Mr. LOBIONDO. What do you use them for now?

Admiral ALLEN. Right now, pending missionization, they are used for logistics flight. And that does relieve the requirement from other aircraft so they can be used for maritime surveillance and other missions. So they are being used and they are adding value to the Coast Guard right now. They could add more value with proper radar workstations that would allow them to be maritime patrol aircraft to help us go out there and detect go-fast boats and so forth.

Mr. LOBIONDO. Do you have any idea when you might hear back from Lockheed what the time frame is to determine if they are going to be able to do the upgrades with the resources that are available?

Admiral ALLEN. Integrated Coast Guard Systems presented us a proposal yesterday, and we are reviewing that and the price attached to it now, and I can tell you right now it is the Commandant's desire to make a decision as fast as we can on that, sir. And as soon as there is anything available on that, we will pass it on to you, sir.

Mr. LOBIONDO. Thank you.

Mr. Filner?

Mr. FILNER. Just one additional question, if I might. I talked sort of in an abstract way and you answered abstract. Let me just bring it down to the Port of San Diego, which I represent.

Admiral ALLEN. Yes, sir.

Mr. FILNER. There may be in the port at any one time two or three cruise ships, two or three nuclear carriers, dozens of destroyers and other craft. And in joint operations meetings that I have been at, people say that the biggest terrorist threat to that mixture there is as simple as a high speed recreational vessel loaded with high explosives, like we saw in the Kohl, for example. So what does Deepwater do to stop that threat to the coastal ports that many of us represent here?

Admiral ALLEN. Well, I would give you a couple of scenarios, sir. Based on the current Coast Guard planning for securing this Country, we have different maritime security levels we employ, and they are called MarSec I, MarSec II, and MarSec III. We are continually at MarSec I right now, which would roughly correspond to the yellow status of the threat in the Country right now.

As those threat levels go up, we take more protective action in our ports and harbors, up to and including bringing large cutters close in to increase command-and-control, maritime awareness, and our response capability. So at higher threat levels, Deepwater assets can be employed in and around ports and harbors to increase the layered protection there, increase maritime domain awareness, and create a response capability.

I can tell you, as the Atlantic commander on 9/11, I immediately diverted larger cutters and actually put them into ports just to make sure that we didn't have a problem that we didn't know about. For instance, within five miles of New York Harbor, I had three medium endurance cutters clear up to the Statue or Liberty with their guns uncovered. You hope you never have to do that

again, but we have the capability to move these assets around because they are floating command-and-control, maritime domain awareness platforms.

Now, having said that, in the normal everyday life in the Port of San Diego, we won't have a cutter sitting in the port, because the threat level won't be that high. The answer there then moves away from Deepwater and focuses on maritime domain awareness, the standup of the new Coast Guard sector commands. And I might add, the benchmark, the gold standard for operations in a port is joint harbor operation center in San Diego, where we have co-located with the Port Authority, the Navy, and our terrorism force protection folks and the Border Patrol to increase surveillance, including the radar out of Point Loma importing that back, sir.

Mr. FILNER. Thank you. I am still worried about that small vehicle.

Admiral ALLEN. As are we, sir.

Mr. FILNER. Thanks.

Mr. LOBIONDO. Admiral Allen, on the 110s, since we are not going to be pursuing the 110s to the 123s, House appropriators have $89 or $90 million to be used for either vessel acquisition or 110 sustainment. Which of these options do you intend to pursue?

Admiral ALLEN. Sir, it is our desire to take any unused money—and we don't know what the excess costs are regarding the 123 conversions. There is $30 million for that particular purpose in the budget right now. We know there are probably going to be some excess costs associated with that, request for equitable adjustment and so forth. But our desired position would be to take all of the available money regarding patrol boats and put it into the design and construction of the first fast response cutter, number one priority of the Commandant, sir.

Mr. LOBIONDO. Different topic. On the fuel, does the Coast Guard buy fuel on its own or in conjunction with the Navy for economies of scale, or how does that work?

Admiral ALLEN. Works a couple of ways. Mostly, for the large cutters, work off the Defense fuel contracts that we are part of every year; down at the local levels we may have contracts with local marinas. I could give you a more in depth answer about how we do it, but it probably varies by region. But for the very large cutters we work off the annual Defense fuel contracts.

Mr. LOBIONDO. Okay.

Mr. Taylor? Mr. Reichert?

Mr. REICHERT. I have one more question. Approximately

Admiral ALLEN. Sir, I believe the question was how much funding has the Coast Guard obligated against the $2 billion to date, sir.

Mr. REICHERT. Yes.

Admiral ALLEN. The answer is we obligated about 95 percent of that. And as we sit here this morning, the unobligated balance is about $105 million. That is broken down in the following three elements: we are reserving $61 million for the changes on the national security cutter that I mentioned earlier that have to do with the construction of the skiff on board it and the increases due to chemical, nuclear, and biological detection capability; there is another $30 million that is in reserve right now that I just spoke to Chair-

man LoBiondo about that was reserved for the 123 conversions that we would like to see applied to the fast response cutter; and, finally, there is $14 million identified to be used on a covert aircraft.

We are in the process of developing an operational requirements document right now and we intend to execute the solicitation for that test aircraft through the U.S. Air Force Big Safari program, and we are working to best speed on that. Again, the total is about $105 million.

Mr. REICHERT. Thank you.

Mr. LOBIONDO. Mr. Filner?

Admiral Allen, Mr. Hoekstra talked about this a little bit, and that was in reference to the unfortunate scenario that we proceed with the $500 million number, and not are able to raise that, we know that it is devastating to the program, but can you give us some details in terms of time delays? Does this push us to a 40-year program if that were to be pushed out? Can you give us some sense? You know, you talked about some of the decisions in actual asset acquisition and upgrade, but I am more interested in time line references from you, if you can.

Admiral ALLEN. Well, I will make a general comment and then I will ask Greg Giddens to comment. One would find it hard to imagine that you could build any more than one type of cutter per year, if that, under this funding scenario, especially given some of the legacy asset issues that we are dealing with. I think almost everything would push to the right. We have a national security cutter that is already under construction. We are in the process of designing, but have not started, on the OPC or the FRC.

So those would be very difficult decisions that would have to be made and most likely would move them to the right. Then what you get is it moves beyond a death spiral, where you are trying to maintain legacy assets without the new ones there. You probably are going to start seeing obsolescence and vessels taken out of service with any capability replacement and a complete performance gap while you work your way through it.

We would be glad to give you some scenarios for the record and talk to the staff, but it would be significant, sir.

Greg, do you want to comment?

Mr. GIDDENS. Just to add, indeed, it would be significant. It would push development efforts out to a year or two. If it reset the baseline for Deepwater funding, it would put us at a level that was a pre-9/11 level and create definite performance gaps and capacity gaps. As Admiral Allen indicated, we would likely have to decommission some of our assets.

Admiral ALLEN. It would probably question the viability of the current contracting vehicle.

Mr. LOBIONDO. Thank you.

Mr. Taylor? Mr. Filner? Mr. Reichert? No?

Well, Admiral, thank you very much. Good luck tomorrow. That is an important one.

Okay, meeting is adjourned.

[Whereupon, at 11:03 a.m., the subcommittee was adjourned.]

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DEPARTMENT OF HOMELAND SECURITY

U. S. COAST GUARD

STATEMENT OF

VICE ADMIRAL THAD ALLEN

ON THE

DEEPWATER IMPEMENTATION

BEFORE THE

SUBCOMMITTEE ON COAST GUARD & MARITIME TRANSPORTATION

COMMITTEE ON TRANSPORATION & INFRASTRUCTURE

U. S. HOUSE OF REPRESENTATIVES

21 JUNE 2005

Introduction

Good morning Mr. Chairman and distinguished Members of the Subcommittee. It is a pleasure to have an opportunity to appear before you to discuss the Coast Guard's Integrated Deepwater System and the positive impact it will have on the Coast Guard's ability to secure America's maritime borders, aid persons in distress, facilitate the safe and efficient flow of commerce, and respond to the expeditionary requirements of U.S. combatant commanders.

On September 10, 2001, our primary maritime focus was on the safe and efficient use of America's waterways. Since 9/11, we have made great progress in securing America's waterways, while continuing to facilitate the safe and efficient flow of commerce. There is no doubt that work remains, but there is also no doubt that we continue to improve maritime homeland security each and every day – thanks in large part to the continued strong budgetary support of the Administration, and Congress, and certainly this committee.

The Integrated Deepwater System—the centerpiece for the Coast Guard's transformation and my top capital priority—plays an absolutely critical role in building a more ready and capable 21st-century Coast Guard equal to the challenging tasks we face today and anticipate tomorrow.

The Deepwater team's government-industry partnership achieved many program milestones during 2004 and strengthened Deepwater's foundation by incorporating far-reaching program and contract-management improvements in accordance with recommendations from the Government Accountability Office.

With the strong support of the Department of Homeland Security (DHS), the Administration, and Congress we are positioned to play an even greater role in reducing the future risk of a terrorist event against the homeland. During the past two years, we have modernized select legacy assets to operate more effectively until replaced by Deepwater assets. Through the revision of the Integrated Deepwater System mission needs statement and implementation plan we have established requirements for improved capabilities on converted or new Deepwater platforms that are necessary for the Coast Guard to perform its full range of post-9/11 missions.

The revised plan, based on a comprehensive performance-gap analysis, updates the original pre-9/11 Deepwater Program by modifying the original assets that would have been delivered to incorporate improved post-9/11 capabilities; retaining, upgrading, and converting aviation legacy assets as part of the final asset mix; and adjusting the program's overall asset delivery schedule to maximize operational effectiveness. The Revised Implementation Plan ensures Deepwater cutters and aircraft will be equipped with the right systems and capabilities (summarized below) to operate successfully in the post-9/11 threat environment. These enhanced capabilities are absolutely critical to ensuring the maritime security of America and its $750 billion maritime transportation system:

- Interoperable network-centric command-and-control system (essential for maritime domain awareness);
- Increased speed and integrated weapons systems on select cutters;
- Helicopter airborne use of force and vertical insertion and delivery;
- Improved fixed-wing aircraft long-range surveillance and transport;
- Enhanced anti-terrorist and force protection; and
- Detection-and-defense systems for chemical, biological, and radiological threats.

Deepwater's revised implementation plan is paramount in addressing the goals that Secretary Chertoff has established to integrate intelligence and operations across DHS using a rigorous risk-based framework for decision making.

Deepwater cutters and aircraft equipped with these capabilities will be leveraged far beyond the operational limitations of original Deepwater assets due to recent advancements in maritime domain awareness, intelligence, and homeland security partnerships. These advancements, combined with enhanced Deepwater capabilities, will enable the Coast Guard to close existing operational shortfalls so it may execute its full range of homeland security and national-defense missions far more effectively, reduce risk in the maritime domain, and improve the safety and readiness of all platforms. The revised plan also provides for the progressive sustainment, modernization, and conversion of aging legacy assets as Coast Guard transitions to a recapitalized fleet.

It is estimated the revised Deepwater long-term acquisition will cost between $19 billion and $24 billion over a period of 20 to 25 years. Because Deepwater is a performance-based acquisition, the revised plan projects a range of assets for the final force levels of two classes of cutters and some aircraft. As stated in the revised implementation plan, the final number of assets will, at a minimum, be sufficient to meet Department of Homeland Security and Coast Guard long-range performance goals.

Since we provided Congress with the revised Deepwater implementation plan in March, we have had a very constructive engagement with House and Senate oversight committees. We have now provided the Congress with details on the revised plan's asset delivery schedules over the life of the program. We fully appreciate the role Congress plays in providing for a 21st-century Coast Guard and its need for more detailed information upon which to make informed decisions.

Nearly three years ago, President Bush said, "The U.S. government has no more important mission than protecting the homeland from future terrorist attacks." The revised Deepwater Implementation Plan represents a significant investment in ensuring Coast Guard mission performance now and in the future. In short, it will result in a Coast Guard possessing the 21st-century technologies necessary to safeguard the nation, protect our citizens, and reduce the risk of a terrorist attack against the nation originating in the maritime domain. I look forward to further discussing this major milestone with you this morning.

The Coast Guard's 2006 budget includes $966 million for Deepwater, a 33 percent increase over last year's appropriation. This investment will make important contributions to the DHS strategic goals of improving threat awareness, prevention and protection against terrorist attacks, and response and recovery should they occur.

The Deepwater budget's increased asset funding for 2006 will yield essential system-wide capabilities for our maritime homeland security mission and sustain operational effectiveness in all of the Coast Guard's military, multi-mission, and maritime responsibilities. Deepwater aligns completely with my overarching budget goals to (1) recapitalize the Coast Guard, (2) implement the Maritime Strategy for Homeland Security, and (3) enhance mission performance.

Reducing Maritime Risk

Today's global maritime safety and security environment demands a new level of operations specifically directed against terrorism without degrading other critical maritime safety and security missions. Most

importantly, the Coast Guard must implement the improved Deepwater capabilities identified in our revised implementation plan if we are to mitigate maritime security risks successfully in the post-9/11 world.

Secretary of Homeland Security Chertoff has emphasized that the three variables of threat, vulnerability, and consequence serve as the appropriate model for assessing risk and deciding on the protective measures we undertake as a nation. This is a framework quite familiar to Coast Guard men and women who perform multiple missions in our nation's ports, waterways, coastal areas, and on the high seas.
In terms of threat, vulnerability, and consequence there are few more valuable targets than the U.S. maritime transportation system:

- Threat: While the 9/11 Commission notes the continuing threat against our aviation system, it also states that "opportunities to do harm are as great, or greater, in maritime or surface transportation."
- Vulnerability: The maritime transportation system annually accommodates 6.5 million cruise ship passengers, 51,000 port calls by over 7,500 foreign ships, at more than 360 commercial ports spread out over 95,000 miles of coastline. The vastness of this system and its widespread and diverse critical infrastructure leave the nation vulnerable to terrorist acts within our ports, waterways, and coastal zones, as well as exploitation of maritime commerce as a means of transporting terrorists and their weapons.
- Consequence: Contributing nearly $750 billion to U.S. gross domestic product annually and handling 95 percent of all overseas trade each year, the value of the U.S. maritime domain and the consequence of any significant attack cannot be understated. Independent analysis and recent experiences on 9/11 and the West Coast dock workers strike demonstrates an economic impact of a forced closure of U.S. ports for a period of only eight days in excess of $58 billion to the U.S. economy.

The 9/11 Commission also drew a strong linkage between improved defenses with the government's ability to reduce the risk of a terrorist attack—a linkage that relates directly to the imperative to recapitalize the Coast Guard through an increasingly capable Deepwater system of systems. The Commission reported:

"Our report shows that the terrorists analyze defenses. They plan accordingly. Defenses cannot achieve perfect safety. They make targets harder to attack successfully, and they deter attacks by making capture more likely. Just increasing the attacker's odds of failure may make the difference between a plan attempted, or a plan discarded. The enemy also may have to develop more elaborate plans, thereby increasing the danger of exposure or defeat. Protective measures also prepare for the attacks that may get through, containing the damage and saving lives."

Since 9/11, the President, DHS, and the Coast Guard have made significant strides to secure our homeland by instituting these types of protective measures to help deter attacks in the maritime domain. However, maritime safety and security gaps remain. These gaps present risks that must be reduced.

The Coast Guard guides its efforts by implementing policies, seeking resources, and deploying capabilities through the lens of the national Maritime Security Strategy. However, continued risk reduction is contingent upon Coast Guard capability, capacity, and readiness. Without these basic building blocks, implementation of maritime security strategies will not be sustainable. With that in mind, my highest priority for the Coast Guard's 2006 budget is to continue to recapitalize the Coast Guard as a necessary foundation to implementing the maritime security strategy, as well as ensuring we continually enhance mission performance across the entire suite of Coast Guard mission requirements.

Recapitalizing the Coast Guard is the foundation of our ability to continue improving maritime security while facilitating the flow of commerce. It is on this foundation that the 2006 budget continues to build out Coast Guard Deepwater capabilities necessary to reduce risk and implement the national maritime strategy for homeland security—today, tomorrow, and into the future.

The 2006 Deepwater budget continues the recapitalization of our cutters, boats, aircraft and support infrastructure to reverse declining readiness trends and provide critical operational capabilities to meet today's maritime security and safety threats. As detailed in the National Strategy for Homeland Security, this remains a critical need in protecting the homeland.

Recapitalize the Coast Guard

Despite spending increasing amounts to maintain operational assets, the Coast Guard is experiencing a continuing decline in fleet readiness. Legacy cutters are now operating free of major equipment casualties (equipment failures that significantly impact mission performance) less than 50 percent of the time, despite the investment per operational day increasing by over 50 percent over the last six years. The resulting "readiness gap" negatively impacts both the quantity and quality of Coast Guard "presence" – critical to our ability to accomplish all missions.

Readiness Declining
The majority of the Coast Guard's operational assets, designed for the threat environment of the 1960s and 1970s, will soon reach the end of their anticipated service lives resulting in rising operating and maintenance costs, reduced mission effectiveness, unnecessary risks. Listed below are some specific examples highlighting alarming system failure rates, increased maintenance requirements, and the subsequent impact on mission effectiveness:

- HH-65 helicopter in-flight engine power losses occurred at a rate of 329 mishaps per 100,000 flight hours in FY 2004. This is up from a FY 2003 rate of 63 mishaps per 100,000 flight hours. The engine-loss rate has resulted in flight and operational restrictions and high levels of risk to our aircrews. Re-engining the HH-65 will remain the Coast Guard's highest legacy asset priority until complete. We greatly appreciate Congress' support in correcting this critical safety and reliability issue, including transferring an additional $40 million into Deepwater to accelerate this re-engining effort in fiscal year 2005. The 2006 budget requests $133 million to complete re-engining of the remaining operational HH-65s.
- The 110-foot Patrol Boat fleet has experienced 23 hull breaches, or openings in the hull from corrosion, requiring emergency dry docks. The resultant loss in operational days poses unacceptable risks to our personnel. By the end of 2005, the Coast Guard will have taken delivery of eight reconfigured 123-foot patrol boats, which are upgraded 110-foot patrol boats designed to sustain this cutter class until replacement with the Integrated Deepwater System's Fast Response Cutter.

  Last month, I directed that Deepwater's conversion of 110-ft. patrol boats be terminated at eight hulls for several reasons. First, the pre-9/11 design for the 123-foot patrol boats did not provide needed homeland security capabilities called for in the revised Deepwater mission need statement. Second, the advanced deterioration of the 110-foot patrol boat hulls, increased costs associated with conversion and technical difficulties were also significant parts of this decision. Several steps have been taken to mitigate the near-term operational impact of this termination. For the long term, the Coast Guard has advanced the design and construction of the new Fast Response Cutter by a full decade. The revised Deepwater implementation plan builds improved post-9/11 capabilities into this cutter's design and delivers it far sooner than originally planned.

- Our high and medium endurance cutters are experiencing sub-system failures due to old and unserviceable systems. The 378-foot high endurance fleet averages one main space casualty, with potential to escalate to main space fire, on every patrol. Three out of a total class of 12 ships have recently missed operations due to unscheduled maintenance required to repair failing sub-systems. The total number of unscheduled maintenance days for the major cutter (medium and high endurance cutters) fleet has increased from 85 days in FY 1999 to 358 days in FY 2004 (over a 400 percent increase over FY 1999). This loss of operational cutter days in 2004 equates to losing two major cutters, or 5 percent of our major fleet for an entire year. The 2006 budget includes funding for six mission effectiveness projects to help sustain the medium endurance cutter fleet, and funds construction of the third National Security Cutter, the replacement for the Coast Guard's high endurance cutter class.

These same Deepwater assets are integral to the Coast Guard's ability to perform its missions of ports, waterways, and coastal security; migrant- and drug-interdiction operations; fisheries enforcement, and search and rescue. In 2004, Deepwater legacy assets made invaluable contributions to America's maritime security and safety:

- Operation ABLE SENTRY blanketed the coastline of Haiti with legacy Coast Guard Deepwater assets, which interdicted more than 1,000 illegal migrants during this operation and deterred many thousand more from taking to sea in unsafe boats.
- The 378-foot Coast Guard Cutter GALLATIN, and its Airborne-Use-of-Force- (AUF) capable helicopter seized more than 24,000 pounds of cocaine worth an estimated $768 million and detained 27 suspected smugglers in the span of seven weeks. The GALLATIN's commanding officer has indicated that the secure-communications improvements made by the Deepwater Program were key to this effort.
- The Coast Guard's aging Deepwater cutters and aircraft patrolled over 28,000 hours in direct support of maritime homeland security missions. 110-foot patrol boats alone patrolled 13,000 hours supporting port and coastal security missions including, cruise ship escorts, critical infrastructure protection, and countless security boardings.
- Working in conjunction with the U.S. Secret Service during the national political conventions, 270-foot Medium Endurance cutters and 110-foot patrol boats provided maritime security, enforced security zones, and served as command and control platforms coordinating maritime traffic. Deepwater aircraft, equipped with the AUF package, provided air security and conducted maritime security patrols.

Deepwater's modernization and recapitalization of the Coast Guard includes efforts to sustain these legacy assets to continue to perform the Coast Guard's missions while replacement assets are being acquired. These sustainment and in some cases upgrading efforts are already beginning to yield results at sea:

- On February 13, the crew of the 123-foot cutter MATAGORDA, on its first operational patrol following a major conversion as part of the Coast Guard's Deepwater Program, played an instrumental role in intercepting a smuggler's boat attempting to bring 25 Cuban migrants into the country illegally. MATAGORDA, outfitted with a more capable command-and-control system during its recent Deepwater upgrade, assumed the role of on-scene commander in the Florida Straits to coordinate the interdiction effort. After a long chase the smuggling boat was safely stopped two miles south of the Dry Tortugas. The smugglers were turned over to Customs and Border Protection officials, and all of the migrants were repatriated to Bahia de Cabanas, Cuba, on February 14.

- Late last year, crews on the Coast Guard Cutters GALLATIN, RUSH, and THETIS collectively seized more than 33,949 pounds of cocaine during law-enforcement deployments—continuing the Coast Guard's record-setting pace established during fiscal year 2004 when 240,518 pounds of cocaine were seized (shattering the previous record of 139,000 pounds interdicted in 2001). Deepwater communication upgrades and previous enhancements installed on these aging legacy cutters played a major role in their success, because the operations involved multiple cutters, federal agencies, and foreign countries—mandating seamless connectivity and high levels of interoperability between all participants.

In each of these recent operations, the Deepwater Program's C4ISR (command, control, communications, computers, intelligence, surveillance, and reconnaissance) upgrades allowed cutter crews to maintain a common operational picture and higher levels of maritime domain awareness (MDA). The upgrades included provisions for first-time use of a classified Local Area Network and the Secure Internet Protocol Router Network (SIPRNET), which commanding officers attribute to "revolutionizing their world of work" because it affords crew access to real-time intelligence information and Department of Defense satellite imagery during current operations, as well as increased speed and size of transmission through compressed bandwidth capability.

As gratifying as these early demonstrations of the efficacy of the Deepwater Program's acquisition strategy may be, they are but a harbinger of what the future holds when new-construction Deepwater assets possessing more robust capabilities begin to enter service later this decade.

The President's fiscal year 2006 budget for the Integrated Deepwater System takes aim on reversing the Coast Guard's declining readiness trends and transforming the Coast Guard. The budget's level of investment in the Integrated Deepwater System provides the Coast Guard with the capability and capacity essential to meet our nation's maritime homeland security needs; providing a layered defense throughout ports, waterways, coastal regions and extending far offshore, as well as sustaining other mission area efforts, such as search and rescue and living marine resources. Specifically, the fiscal year 2006 President's budget requests $966 million for the Integrated Deepwater System to:

- Continue acquisition of Eagle Eye Tiltrotor Vertical-Takeoff-and-Landing Unmanned Aerial Vehicles (VUAVs), including mission sensor packages and ground control technology;
- Complete re-engining of all operational HH-65 helicopters;
- Complete service-life extension, avionics, and radar upgrades for HH-60 helicopters and HC-130H aircraft;
- Procure long-lead material for and production of the third National Security Cutter (NSC);
- Complete design and procurement of long-lead material for the first Offshore Patrol Cutter (OPC);
- Conduct testing and evaluation of the first Fast Response Cutter (FRC);
- Complete mission effectiveness projects on six Medium Endurance Cutters (WMECs) to sustain these cutters until they can be replaced with the OPC; and
- Continue innovative, interoperable network-centric C4ISR system upgrades to improve maritime domain awareness and provide a common operational picture.

Funding included for legacy asset sustainment projects, such as HH-65 re-engining and WMEC mission effectiveness projects, is critical to sustain capabilities today, while the acquisition of new and enhanced Deepwater assets will ensure the Coast Guard has the right capabilities tomorrow.

Revised Post-9/11 Deepwater Implementation Plan

The events of September 11, 2001, have changed the performance requirements for Coast Guard people and the assets they use. The original Deepwater system designed for September 10, 2001, simply could not do all that would be required of it after September 11, 2001.

The Coast Guard began to adjust Deepwater shortly after the contract was awarded in June 2002 by modifying the capabilities required of the first major new asset, the NSC. These changes are included in the current updated baseline and will enable the first NSC, now slated for delivery in 2007, to conduct maritime homeland security missions.

In March, together with Secretary and Mrs. Chertoff, I participated in the keel-laying ceremony for our first NSC. Mrs. Chertoff, the cutter's sponsor, noted that she looked forward to the day when American families can rest a little easier knowing that the men and women of the Coast Guard are conducting missions up and down the coasts of our nation in this fine ship. I agree wholeheartedly.

The keel laying for the first hull in our new class of NSCs marked a significant milestone in the Integrated Deepwater System's transformation of the Coast Guard for our 21st-century missions. Like other Deepwater cutters, aircraft, and systems, the NSC will play a major role in safeguarding the maritime security of our nation for many years to come.

Along with the immediate changes to the NSC's design specifications, DHS and the Coast Guard recognized the need to conduct a thorough review of the plans for all Deepwater assets. Changes to the national strategic security environment after 9/11 necessitated modifications to the Deepwater program focused on defeating terrorist threats, addressing contemporary mission demands, and satisfying current and emergent operational priorities.

The revised Integrated Deepwater System mission need statement and implementation plan were developed following a comprehensive, year-long analysis of the Coast Guard's post-9/11 mission requirements.

CAPABILITY

The revised plan addresses the Coast Guard's dual challenges of legacy-asset deterioration and performance gaps by enhancing the performance of selected Deepwater assets through added capabilities and conversions, including C4ISR systems; adjusting the implementation schedule and mix of individual assets over the life of the program; and providing necessary balance over the life of the program based on the DHS strategic goals, current and emerging mission requirements, and the need to provide for a high-quality workplace for Coast Guard men and women.

The revised Deepwater implementation plan updates the original plan by: (1) modifying the original assets that would have been delivered by the Deepwater project to incorporate design requirements for improved post-9/11 capabilities; (2) retaining, upgrading, and converting aviation legacy assets (C-130s, H-60s, H-65s) as part of the final asset mix, and (3) adjusting the program's overall asset delivery schedule (e.g. advancing delivery of the FRC and OPC by ten and five years respectively) to maximize operational effectiveness.

Specific operational enhancements contained in the revised Integrated Deepwater Systems implementation plan include:

- An innovative, integrated network-centric C4ISR system to harness the power of an interoperable network to enhance performance in all mission areas, improve MDA, and provide a common operational picture—key to Coast Guard leading the inter-agency effort to know and respond to maritime conditions, anomalies, vulnerabilities, and threats. Improvements to C4ISR enable earlier awareness of events through the more effective gathering and fusing of terrorism-related information, analysis, coordination, response—all critical to detecting, deterring, and defeating terrorist attacks. Upgrades to Deepwater surface assets, for example, contribute directly to improved intelligence collection and fusion through a sophisticated Shipboard Sensitive Compartmentalized Information Facility (S/SCIF), sensors, and increased data-exchange bandwidth;
- Improved maritime-security capabilities such as increased speed and integrated weapons systems on selected Deepwater cutters essential to higher levels of maritime homeland security during a terrorist attack, opposed boardings, and other high-risk operations;
- Airborne use of force and vertical insertion and delivery capabilities to allow helicopters to provide warning and/or disabling fire, and to deploy, deliver, and recover boarding teams safely and more effectively;
- Improved fixed-wing aircraft long-range surveillance to increase MDA and reduce maritime patrol aircraft shortfalls in operating hours; organic Coast Guard air transport capability will enable deployment of Maritime Safety and Security Teams and National Strike Force teams for faster, more effective response.
- Improved capabilities for anti-terrorist/force protection on select Deepwater assets with all-weather self-defense and the ability to protect high-value assets; assets will have the capability to engage terrorists with higher assurance of survivability and continued mission capability; and
- Improved asset capabilities for detection and defense for chemical-biological-radiological (CBR) threats—essential to survival and continued operations during a CBR attack involving a weapon of mass destruction.

These are "must-have" capabilities in today's threat environment and the nation would be remiss to build out a Coast Guard without them. Consider the 96 hour advanced notice of arrival requirement for vessels arriving in U.S. ports - just one of the many improvements to maritime security resulting from the landmark Maritime Transportation Act of 2002. This reporting requirement enables the Coast Guard to identify threats before they enter our ports where they can do the most harm. The revised post-9/11 capabilities listed above enable the Coast Guard to respond quickly and forcefully to neutralize these threats before they enter our nation's ports, waterways and coastal areas.

The revised implementation plan maximizes existing capabilities by calling for the conversion of H-60 and H-65 airframes to serve as multimission helicopters. Again, this is a prudent and reasonable investment decision reflecting the many years of experience we have operating and maintaining these aircraft.

The rigorous periodic depot-level maintenance process addresses corrosion and technology obsolescence issues on a recurring basis. When these helicopters are converted, the airframes will be taken apart down to the structural-component level based on a standard maintenance cycle. In addition to planned technical upgrades, strict specifications govern the requirement for refurbishment or replacement of aircraft components.

Deepwater's original implementation plan proposed by ICGS recognized the Coast Guard's ability to sustain aircraft indefinitely provided sufficient funding was available for necessary maintenance, repairs, and periodic system upgrades. In the original plan, the H-65 was selected for the final Deepwater force structure as a multimission cutter helicopter (MCH), and the H-60 was to be retained through at least 2022. Under the new plan both helicopters have been selected for the final Deepwater force structure.

The H-65 re-engining is well underway, setting the stage for the additional upgrades identified in the revised implementation plan. Earlier this month, Coast Guard Air Station Atlantic City, N.J., accepted its fifth re-engined aircraft, and one was delivered to Coast Guard Air Station Savannah, Ga.

CAPACITY

The Deepwater system's performance-based acquisition strategy allows the Coast Guard to respond to changing conditions and threats, and provides a vehicle for capability and schedule adjustments over the life of the program—maximizing value and performance through technology refreshment and innovation. For example, capability improvements incorporated at both the asset and system level in the revised implementation plan resulted in adjusting the original mix of some platforms. Owing to planned increases in C-130 aircraft for long-range surveillance and transport, for example, it is possible to adjust the number of CASA CN-235 aircraft (MRS) originally planned for the program.

Similarly, the AB-139 helicopter, originally proposed by Integrated Coast Guard Systems (ICGS) as a notional future platform, was determined not to possess the endurance and power necessary to meet post-9/11 requirements such as the need to transport six-member boarding teams, plus equipment, for vertical insertions to ships at ranges up to 200 nautical miles from a cutter or shore station; it also did not meet other requirements associated with Airborne Use of Force and operating in known icing conditions. Existing Coast Guard H-60 helicopters are capable of meeting these requirements and also have a mature logistics and training base in the armed forces that we may leverage.

The flexibility inherent in Deepwater's acquisition will enable the Coast Guard to adjust the final mix of selected platforms as overall system-of-systems capability improvements are generated by, for example, significant improvements to the program's system for C4ISR or Unmanned Aerial Vehicle technology.

Legitimate questions have been raised regarding our decision to project a range for the numbers of some assets—the system's capacity—when the Deepwater acquisition is completed some 20 to 25 years from now under current funding projections.

It is very difficult to predict today, with precise accuracy, what the optimum mix of Deepwater assets will be 15, 20, or 25 years from now. For that reason, our long-range projection for the acquisition depicts a range of numbers for five of our 11 Deepwater assets. From its inception, Deepwater has been a performance-based program. The final mix of assets and fleet size will be based on assessments of our threat environment, mission requirements, the actual performance of each asset, and the overall Deepwater system of systems' performance. This approach is both consistent with our long-range acquisition strategy and reflects good stewardship of the taxpayer's dollars.

A more complete explanation of the Deepwater acquisition strategy helps to explain the rationale behind the projected range of asset numbers. In short, more capable assets will be able to do a great deal more than those reflected in the pre-9/11 Deepwater construct—just as modern power tools and materials enable a carpenter to build a home in a shorter amount of time than the days when hand saws and hammers were the norm.

We believe our plan to incorporate improved post-9/11 operational capabilities on all major surface and aviation platforms will reap significant system-wide performance improvements that will have a bearing on capacity requirements. In the world of C4ISR, for example, we have already seen how command-and-control upgrades to our legacy cutters serve as a force multiplier to generate impressive dividends in operational effectiveness *and* efficiency. Armed with earlier, more accurate, and continuously streamed intelligence and operational data to maintain a common operating picture, commanders can employ their assets far more effectively than in the past.

The Coast Guard faces the same resource constraints as every other federal agency today, and it would be a breach of responsible stewardship to acquire additional capacity *if* a smaller force is able to satisfy our long-term performance goals. We will not know the answer to that question for a number of years. Deepwater's final number and mix of assets will, at a minimum, be sufficient to meet DHS and Coast Guard long-term performance goals. The program's alternative acquisition schedules provide far more meaningful vehicles for assessing the program's current and future direction.
For this reason, our emphasis to identify and incorporate the correct design requirements for the many improved capabilities needed to perform the Coast Guard's post-9/11 missions is the correct priority at this point in the Deepwater acquisition. We will have many years to adjust Deepwater's final capacity based on the system's actual performance, changes to mission requirements, and the future threat environment.

A Year of Achievement

As part of our efforts to enhance mission performance, it is appropriate to acknowledge that Deepwater's Coast Guard-industry team marked numerous important milestones during 2004. Beyond the past year's success story of C4ISR upgrades to legacy cutters, Deepwater's C4ISR shore-side upgrade was completed in 2004 at the Communications Area Master Station Pacific (CAMSPAC) facility at Point Reyes, Calif. The first shore-based IDS communications upgrade was completed in 2003 at Communications Area Master Station Atlantic (CAMSLANT).

As I discussed, we laid the keel for our first NSC in late March. The contract for that cutter was awarded just last June to Integrated Coast Guard Systems (ICGS, a joint venture between Lockheed Martin and Northrop Grumman). The Coast Guard's contract for the second cutter in the class was awarded to ICGS in early January. Northrop Grumman Ship Systems is leading the production effort, with Lockheed Martin responsible for the design, manufacture, and integration of the cutter's systems for C4ISR. From start-up to keel laying in a little less than two years, this is an impressive achievement.

Also last June, the Coast Guard awarded a contract to ICGS to begin the design and final requirements work for the OPC, Deepwater's medium-sized cutter. The design and final requirements for the third class of Deepwater cutters, the FRC, also will move forward smartly in 2005.

There also was steady progress in Deepwater's modernization and recapitalization of Coast Guard aviation assets last year. For example, the first production re-engined HH-65 helicopter incorporating Deepwater upgrades completed its test flights successfully in September and entered full operational service at Aviation Training Center, Mobile, Alabama, in early October. We are evaluating the feasibility of opening a second production line to allow the Coast Guard to accelerate this critical upgrade on our HH-65s, mindful of their reputation as the "workhorse of the fleet."

Similar progress is evident in the recapitalization of the Coast Guard's fixed-wing aircraft inventory. In 2003, the Coast Guard awarded a contract to ICGS for concept and technology development of our new maritime patrol aircraft. Initial contracts between Lockheed Martin and EADS CASA are for the procurement of three CN-235-300M medium-range surveillance maritime patrol aircraft. Delivery is scheduled for 2007 following configuration for Coast Guard missions. The contract also includes an option for spare parts and integrated logistic support, as well as an option for five additional aircraft. The CN-235-300M completed a successful Preliminary Design Review in December. Deepwater's Eagle Eye tiltrotor VUAV successfully completed its Preliminary Design Review last March and underwent its Critical Design Review in January 2005.

These milestones also illustrate the Deepwater Program's important industrial-base ramifications. Shipbuilding, aviation, and information technology systems come to mind immediately, but it is worth noting that Lockheed Martin and Northrop Grumman, joint partners in Integrated Coast Guard Systems (ICGS), have contracts with companies producing supplies or conducting work for the IDS program in 41 states.

National Fleet

Deepwater's recapitalization of the Coast Guard also plays a key enabling role in providing the means to achieve the National Fleet Policy's goals for interoperable Coast Guard and Navy assets. The policy is in place to ensure our two services work together to synchronize our multi-mission platforms, infrastructure, and personnel to provide the highest level of naval and maritime capability for the nation's investment. This, of course, is absolutely essential if we are to obtain the highest levels of operational effectiveness in maritime homeland security and homeland defense operations, as well as in the performance of our national-defense responsibilities providing expeditionary support to U.S. joint combatant commanders around the world.

Admiral Clark, the Chief of Naval Operations, has said that the global war on terrorism's heightened requirement for improved homeland defense and maritime security has produced a Navy-Coast Guard partnership unlike anything the sea services have experienced in many years. Partnership with the Navy and the Department of Defense allows an effective two-way flow of capability to meet both expeditionary and domestic security imperatives—all very much in the national interest. A number of initiatives are in motion to advance the National Fleet concept following my senior-level talks with Admiral Clark last November. Deepwater's contribution to National Fleet Policy objectives will only increase as the Program continues to gain momentum during the years ahead.

The Deepwater Program is actively working with the Littoral Combat Ship (LCS) Program at a functional level on small boat launch and recovery, weapons and combat systems, and mission modules. We are exploring other collaborative opportunities with the Naval Air Systems Command and the Marine Corps Systems Command.

The revised Deepwater Implementation Plan directly supports this inter-agency collaboration with the Navy. The plan's provisions for more capable Coast Guard cutters, aircraft, patrol boats, and C4ISR systems will enable us to achieve the National Fleet policy's call for the highest level of naval and maritime operational integration for improved maritime security.

Assistant Secretary of Defense for Homeland Security Paul McHale recently emphasized this compelling requirement. "It is in the maritime domain that I believe we have our single greatest opportunity to enhance our domestic U.S. security," he said. "We must achieve, in short, complete synchronization of Coast Guard and Navy capabilities."

Program Management

Deepwater also has made steady progress implementing recommendations from the Government Accountability Office (GAO) to improve program management and oversight. Last year, GAO identified 13 items of concern in two separate audit reports. The Deepwater Program has worked diligently and successfully to address them.

Since its March 2004 report was issued, we have updated GAO regularly on the implementation of these improvements through four detailed reports, six overall program briefings, and multiple on-site meetings regarding specific topic areas. and four briefs, including a day-long conference in January. We have taken specific actions to improve program management efforts to measure and evaluate cost, schedule, and performance; improve communications, and to encourage future cost control through rigorous competition.

In short, the Coast Guard has embraced the GAO's recommendations. Eleven recommendations were grouped by three categories: program management, contractor accountability, and cost controls through competition. GAO has closed two of the eleven recommendations as completed by the Coast Guard, and we anticipate further closures and satisfactory progress during the weeks ahead. These GAO closure actions and Coast Guard progress reports document the work the Coast Guard has done to comply with the GAO recommendations. Two recommendations of the 13 total, contained in a second separate audit report, addressed updating the Deepwater acquisition schedule. The Coast Guard complied with this request as part of the FY 2006 budget process.

To improve program management, we have restructured Deepwater's Integrated Product Teams (IPTs) to comport with GAO best practices, improved electronic information sharing systems, stabilized the workforce through human capital improvements, and standardized information flow from the program to field units to facilitate delivery of, and transition to upgraded Deepwater legacy platforms.

Regarding contractor accountability, the Coast Guard has refined the ICGS performance criteria to standardize input and increase the objectivity of annual assessments. To continually monitor contractor performance, the Coast Guard employs a "balanced score card" and an earned value-management system (both of which are considered "industry best practices").

To ensure cost control through competition, the Coast Guard reviews the competition of ICGS subcontracts through periodic evaluations. Additionally, ICGS has agreed to notify the Coast Guard prior to deviating from the accepted contract proposal if they decide to execute work in-house above $10 million that was proposed to be subcontracted by a company other than the ICGS prime contractor.

The Coast Guard welcomed the GAO's recommendations last year. We viewed them as an independent review of IDS contract-management practices. During her testimony to the Senate last month on the Deepwater Program, I was gratified to hear Ms. Margaret Wrightson, GAO's Director for Homeland Security and Justice Issues, describe the Coast Guard's response to her agency's review of our Deepwater Program as a "constructive engagement" on the issues. I share Ms. Wrightson's assessment and remain committed to the success of what I judge is a collaborative, complementary effort.

We fully recognize that GAO still sees the potential for our contracting approach to pose a number of inherent risks that, left unaddressed, could lead to increased costs and schedule adjustments in the Deepwater Program, but I restate today the Coast Guard's unwavering commitment to good stewardship. The Deepwater-industry team is a developing organization fully committed to continuous process improvement, the adoption of best-business practices, and an open frame of reference leading to continued refinement of its acquisition strategy and business plan.

We take our stewardship seriously, and we will achieve program success through performance measures and accountability. Simply stated, the GAO is making active contributions to help us successfully execute this critical Deepwater Program.

Conclusion

I appreciate your strong support of the Deepwater Program over the past several years in providing the Coast Guard with the tools necessary to meet our multi-mission and military demands and to fight the Global War on Terrorism. I am extremely proud of our Coast Guard's accomplishments since 9/11 as we strive to increase maritime homeland security while continuing to perform a myriad of critical maritime safety functions.

Funding requested for the Deepwater Program will positively impact our ability to deliver the maritime safety and security America demands and deserves by focusing resources toward our three critical priorities: recapitalize the Coast Guard, implement the Maritime Strategy for Homeland Security, and enhance mission performance.

The revised Deepwater implementation plan's progressive modernization and recapitalization will provide improved, critically needed capabilities that are fundamental to the Coast Guard's ability to deliver required levels of operational excellence necessary for the security of the nation and the safety of our citizens.

Thank your for the opportunity to testify before you today on the Deepwater Program. I will be happy to answer any questions you may have.

THE HONORABLE BOB FILNER
RANKING DEMOCRAT
SUBCOMMITTEE ON COAST GUARD AND
MARITIME TRANSPORTATION
ON
OVERSIGHT HEARING ON
DEEPWATER ACQUISITION PROJECT
June 21, 2005

Thank you Mr. Chairman for scheduling today's second hearing this year on the Deepwater Acquisition Project. Mr. Chairman, as I said at the last hearing, I believe that Deepwater is in Deep Trouble.

The Deepwater Acquisition Project is a very ambitious program. The theory was that the Government would lay out the mission and program requirements – and the contractor would build a system-of-systems that would provide the "best value" for the Government. Not the lowest cost – but best value.

The Coast Guard and their system integrator, Lockheed Martin, spent $49 million to convert eight 110 foot patrol boats to 123 foot patrol boats – only to find out afterward that the ships had major structural problems and that they should build new patrol boats instead. This is $49 million that won't be available now to buy new equipment.

The program hasn't learned from that lesson – so the revised Deepwater Plan to include system requirements to meet post 9-11 challenges proposes to rebuild HH-65 helicopters and C-130 aircraft instead of buying new aircraft.

As I said earlier, Deepwater was supposed to be about buying cutters and aircraft that are the best value for the Government. Cost of a particular asset was only to be 15% of the weighted factors when making the decision. Now decisions are being made entirely on lowest cost – so the Government will end up remanufacturing old aircraft instead of buying new, more capable, aircraft. When the Deepwater Modernization Project is completed – the Coast Guard will have HH-65 helicopters and C-130 aircraft that are over 40 years old – the oldest of any Coast Guard in the world.

What appears to be happening is that as the Coast Guard adds, for example, new ship system requirements to cutters – OMB is saying that the total program costs can't increase – so the Coast Guard must cut costs from aircraft modernization and the total number of cutters purchased.

Deepwater is changing from a program to modernize the Coast Guard with new equipment to a program that buys too few new ships and keeps the old aircraft.

Mr. Chairman, Deepwater is in Deep water – and the Administration isn't giving the Coast Guard the support that they need. The Administration is not committed to giving the men and women of the Coast Guard, who risk their lives every day to save others, the best equipment that can be bought. Instead, they are forcing the Coast Guard to fulfill all of their future missions based on the budget restraints of today.

At last week's hearing, the Subcommittee learned that the current fleet of Coast Guard cutters and aircraft are not up to the job. They are having mechanical problems – and are only interdicting 15% of the cocaine that enters the United States each year by water. Given the direction of Deepwater, I doubt that the Coast Guard will be any more effective once the modernization project is completed.

Mr. Chairman, I remain committed to the Deepwater program. However, given the direction of this program in a post 9-11 environment, I do not think that the Coast Guard of the future will be able to meet the challenges of the future.

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